

Firsthand Technology Value Fund, Inc.  
Form 10-Q  
May 15, 2012

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U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period of March 31, 2012 or

TRANSITION QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission File Number 333-168195

FIRSTHAND TECHNOLOGY VALUE FUND, INC.  
(Exact Name of Registrant as Specified in Charter)

MARYLAND  
(State or Other Jurisdiction of  
Incorporation or Organization)

77-6100553  
(I.R.S. Employer  
Identification No)

150 Almaden Boulevard, Suite 1250  
San Jose, California  
(Address of Principal Executive Offices)

95113  
(Zip Code)

Registrant's Telephone Number, Including Area Code: (408) 886-7096

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  
 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

(Do not check if smaller reporting  
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                                     | Outstanding at May 15, 2012 |
|---|-----------------------------|
| Common Stock, \$0.001 par value per share | 8,556,480                   |

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

Firsthand Technology Value Fund, Inc.  
Statement of Assets and Liabilities

|  | AS OF MARCH<br>31, 2012<br>(UNAUDITED) | AS OF<br>DECEMBER<br>31,<br>2011 |
|--|--|----------------------------------|
| <b>ASSETS</b>  |  |                                  |
| Investment securities:   |  |                                  |
| Unaffiliated issuers at acquisition cost   | \$ 36,361,576                          | \$17,041,575                     |
| Affiliated issuers at acquisition cost   | 7,544,002                              | 6,544,002                        |
| Total acquisition cost   | \$ 43,905,578                          | \$23,585,577                     |
| Unaffiliated issuers at market value   | \$ 35,278,433                          | \$12,645,383                     |
| Affiliated issuers at market value   | 3,210,093                              | 2,837,121                        |
| Total market value (Note 7)  | 38,488,526                             | 15,482,504                       |
| Cash*  | 45,190,270                             | 63,792,414                       |
| Segregated cash  | 2,358,112                              | 4,640,000                        |
| Receivable from interest   | 482,690                                | 346,085                          |
| Deferred offering costs  | 55,000                                 | —                                |
| Other assets **  | 38,753                                 | 55,356                           |
| Total Assets   | 86,613,351                             | 84,316,359                       |
| <b>LIABILITIES</b>   |  |                                  |
| Payable to affiliates (Note 5)   | 425,580                                | 432,906                          |
| Consulting fee payable   | 106,000                                | 140,441                          |
| Offering cost payable  | 55,000                                 | —                                |
| Accrued expenses and other payables  | 163,024                                | 115,537                          |
| Total Liabilities  | 749,604                                | 688,884                          |
| NET ASSETS   | \$ 85,863,747                          | \$83,627,475                     |
| Net Assets consist of:   |  |                                  |
| Common Stock, par value \$0.001 per share 100,000,000 shares authorized          | \$ 3,496                               | \$3,496                          |
| Paid-in-capital  | 92,983,421                             | 92,983,421                       |
| Accumulated net investment loss  | (437,256 )                             | —                                |
| Accumulated net realized losses from security transactions and purchased options | (1,256,369 )                           | (1,256,369 )                     |
| Net unrealized depreciation on investments and other assets                      | (5,429,545 )                           | (8,103,073 )                     |
| NET ASSETS   | \$ 85,863,747                          | \$83,627,475                     |
| Shares of Common Stock outstanding   | 3,496,480                              | 3,496,480                        |
| Net asset value per share (Note 3)   | \$ 24.56                               | \$23.92                          |

\*Cash composed primarily of the Fidelity Institutional Money Market Treasury Portfolio which invests primarily in U.S. Treasury securities.

\*\*For the periods ended March 31, 2012 and December 31, 2011, other assets consists of \$11,015 and \$15,125 prepaid insurance payable; and \$27,738 and \$40,231, respectively of contingent receivable from the sale of Solaicx to MEMC for an initial cash payment plus possible future cash payments if certain criteria are met.

See accompanying notes to financial statements

Firsthand Technology Value Fund, Inc.

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Firsthand Technology Value Fund, Inc.  
Statement of Operations

|  | FOR THE<br>THREE<br>MONTHS<br>ENDED<br>MARCH 31,<br>2012<br>(UNAUDITED) |
|--|---|
| <b>INVESTMENT INCOME</b>   |   |
| Unaffiliated interest  | \$ 2,966  |
| Affiliated interest  | 136,606   |
| <b>TOTAL INVESTMENT INCOME</b>                                     | <b>139,572</b>  |
| <b>EXPENSES</b>  |   |
| Investment advisory fees (Note 5)                                  | 424,994   |
| Administration and accounting fees                                 | 21,780  |
| Custody fees   | 1,682   |
| Transfer agent fees  | 7,157   |
| Registration and filing fees                                       | 3,848   |
| Professional fees  | 82,598  |
| Printing fees  | 19,269  |
| Trustees fees  | 8,056   |
| Other fees   | 7,444   |
| <b>TOTAL EXPENSES</b>  | <b>576,828</b>  |
| <b>NET INVESTMENT LOSS</b>   | <b>(437,256 )</b>   |
| Net Realized and Unrealized Gain on Investments:                   |   |
| Net change in unrealized depreciation on other assets              | (12,493 )   |
| Net change in unrealized appreciation on investments               | 2,944,461   |
| Net change in unrealized depreciation on warrants transactions (1) | (258,440 )  |
| Net Realized and Unrealized Gain on Investments                    | 2,673,528   |
| Net Increase In Net Assets Resulting From Operations               | \$ 2,236,272  |
| Net Increase In Net Assets Per Share Resulting From Operations     | \$ 0.64   |

(1) Primary risk exposure is equity contracts.

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.  
Statement of Cash Flows

|   | FOR THE<br>THREE<br>MONTHS<br>ENDED<br>MARCH 31,<br>2012<br>(UNAUDITED) |
|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |
| Net increase in Net Assets resulting from operations  | \$ 2,236,272  |
| Adjustments to reconcile net decrease in Net Assets derived from operations to net cash provided by operating activities: |   |
| Purchases of investments  | (20,320,001 )   |
| Increase in deferred offering costs   | (55,000 )   |
| Increase in dividends, interest, and reclaims receivable  | (136,605 )  |
| Decrease in segregated cash   | 2,281,888   |
| Decrease in payable to affiliates   | (7,326 )  |
| Decrease in other assets  | 4,110   |
| Increase in offering costs payable  | 55,000  |
| Increase in accrued expenses and other payables   | 13,046  |
| Net unrealized appreciation/depreciation from investments and other assets  | (2,673,528 )  |
| Net cash used in operating activities   | (18,602,144 )   |
| Net change in cash  | (18,602,144 )   |
| Cash - beginning of period  | 63,792,414  |
| Cash - end of period  | \$ 45,190,270   |

See accompanying notes to financial statements

Firsthand Technology Value Fund, Inc.

Firsthand Technology Value Fund, Inc.  
Statement of Changes in Net Assets

|   | THREE<br>MONTHS<br>ENDED AS OF<br>MARCH 31,<br>2012<br>(UNAUDITED) | PERIOD<br>ENDED AS<br>OF<br>DECEMBER<br>31,<br>2011 (1) |
|---|--|---|
| <b>FROM OPERATIONS</b>  |  |   |
| Net investment loss   | \$ (437,256  | ) \$(1,447,690 )  |
| Net realized losses from security transactions and purchased options  | —  | (1,256,369 )  |
| Net change in unrealized appreciation (depreciation) on investments, other assets and warrants transactions | 2,673,528  | (8,103,073 )  |
| Net increase (decrease) in net assets from operations   | 2,236,272  | (10,807,132 )   |
| <b>FROM CAPITAL SHARE TRANSACTIONS:</b>   |  |   |
| Issuance of common stock  | —  | 94,434,607  |
| Net increase in net assets from capital share transactions  | —  | 94,434,607  |
| <b>TOTAL INCREASE IN NET ASSETS</b>   | <b>2,236,272</b>   | <b>83,627,475</b>                                       |
| <b>NET ASSETS:</b>  |  |   |
| Beginning of period   | 83,627,475   | —   |
| End of period   | \$ 85,863,747  | \$83,627,475  |
| Accumulated Net Investment (Loss)   | \$ (437,256  | ) \$—   |
| <b>COMMON STOCK ACTIVITY:</b>   |  |   |
| Shares issued   | —  | 3,496,480   |
| Net increase in shares outstanding  | —  | 3,496,480   |
| Shares outstanding, beginning of period   | 3,496,480  | —   |
| Shares outstanding, end of period   | 3,496,480  | 3,496,480   |

(1) For the period April 18, 2011 (inception) through December 31, 2011.

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.  
Selected Per Share Data and Ratios

|   | THREE<br>MONTHS<br>ENDED AS<br>OF MARCH<br>31, 2012<br>(UNAUDITED) |       | PERIOD<br>ENDED<br>AS OF<br>DECEMBER<br>31, 2011 (1) |       |
|---|--|-------|--|-------|
| Net asset value at beginning of period                    | \$ 23.92   |       | \$27.01  |       |
| Income from investment operations:                        |  |       |  |       |
| Net investment loss                                       | (0.13  | )     | (0.41  | )     |
| Net realized and unrealized gains (losses) on investments | 0.77   |       | (2.68  | )     |
| Total from investment operations                          | 0.64   |       | (3.09  | )     |
| Net asset value at end of period                          | \$ 24.56   |       | \$23.92  |       |
| Market value at end of period                             | \$ 39.50   |       | \$14.33  |       |
| Total return  |  |       |  |       |
| Based on Net Asset Value                                  | 2.68   | %(A)  | (11.44   | )%(A) |
| Based on Stock Price                                      | 175.65   | %(A)  | (46.95   | )%(A) |
| Net assets at end of period (millions)                    | \$ 85.9  |       | \$83.6   |       |
| Ratio of total expenses to average net assets             | 2.70   | %(B)  | 2.76   | %(B)  |
| Ratio of net investment loss average net assets           | (2.05  | )%(B) | (2.28  | )%(B) |
| Portfolio turnover rate                                   | 0  | %(A)  | 18   | %(A)  |

(1) For the period April 18, 2011 (inception) through December 31, 2011.

(A) Not Annualized

(B) Annualized

See accompanying notes to financial statements

Firsthand Technology Value Fund, Inc.

Firsthand Technology Value Fund, Inc.  
Schedule of Investments  
MARCH 31, 2012 (UNAUDITED)

| PORTFOLIO<br>COMPANY<br>(% OF NET<br>ASSETS) | INDUSTRY                 | TYPE OF INVESTMENT   | SHARES/<br>PAR VALUE (\$) | VALUE         |
|--|--------------------------|--|---------------------------|---------------|
| FACEBOOK (26.7%)                             | Social<br>Networking     | Common Stock, Class B *(1)   | 600,000                   | \$ 22,917,961 |
| INNOVION CORP.<br>(0.2%)                     | Services                 | Preferred Stock - Series A-1 *(1)                                  | 324,948                   | 146,291       |
|  |                          | Preferred Stock - Series A-2 *(1)                                  | 168,804                   | 338           |
|  |                          | Common Stock *(1)  | 1                         | 0             |
|  |                          |  |                           | 146,629       |
| INTEVAC, INC.<br>(5.4%)                      | Other<br>Electronics     | Common Stock *   | 545,156                   | 4,633,826     |
| IP UNITY (0.0%)                              | Networking               | Preferred Stock - Series C *(1)                                    | 1,932,222                 | 271           |
|  |                          | Preferred Stock - Series E *(1)                                    | 193,042                   | 27            |
|  |                          |  |                           | 298           |
| SILICON GENESIS<br>CORPORATION<br>(3.7%)     | Intellectual<br>Property | Preferred Stock -Series 1-C *(1)(2)                                | 82,914                    | 0             |
|  |                          | Preferred Stock -Series 1-D *(1)(2)                                | 850,830                   | 0             |
|  |                          | Preferred Stock -Series 1-E *(1)(2)                                | 5,704,480                 | 53,622        |
|  |                          | Preferred Stock - Series 1-F *(1)(2)                               | 912,453                   | 11,771        |
|  |                          | Common Stock *(1)(2)   | 901,892                   | 0             |
|  |                          | Preferred Stock Warrants - Series<br>1-E *(1)(2)                   | 94,339                    | 0             |
|  |                          | Preferred Stock Warrants - Series<br>1-E *(1)(2)                   | 1,257,859                 | 0             |
|  |                          | Common Stock Warrants *(1)(2)                                      | 37,982                    | 0             |
|  |                          | Common Stock Warrants *(1)(2)                                      | 5,000,000                 | 0             |
|  |                          | Common Stock Warrants *(1)(2)                                      | 3,000,000                 | 0             |
|  |                          | Convertible Note (1)(2) Matures<br>December 2012 Interest Rate 20% | 500,000                   | 583,750       |
|  |                          | Convertible Note (1)(2) Matures<br>December 2012 Interest Rate 20% | 1,000,000                 | 1,157,700     |
|  |                          | Convertible Note (1)(2) Matures<br>December 2012 Interest Rate 20% | 1,250,000                 | 1,403,250     |
|  |                          |  |                           | 3,210,093     |
| SKYLINE SOLAR<br>(0.9%)                      | Renewable<br>Energy      | Preferred Stock - Series C *(1)                                    | 793,651                   | 774,127       |

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.  
Schedule of Investments - continued  
MARCH 31, 2012 (UNAUDITED)

| PORTFOLIO<br>COMPANY<br>(% OF NET<br>ASSETS)           | INDUSTRY              | TYPE OF INVESTMENT                | SHARES/<br>PAR VALUE (\$) | VALUE         |
|--|-----------------------|-----------------------------------|---------------------------|---------------|
| SOLARCITY<br>CORPORATION<br>(2.3%)                     | Renewable<br>Energy   | Common Stock *(1)                 | 120,000                   | \$ 1,980,000  |
| SOLOPOWER, INC.<br>(2.3%)                              | Renewable<br>Energy   | Preferred Stock - Series A *(1)   | 400,000                   | 310,320       |
|  |                       | Preferred Stock - Series B *(1)   | 100,205                   | 84,613        |
|  |                       | Preferred Stock - Series D *(1)   | 100,000                   | 328,000       |
|  |                       | Preferred Stock - Series E-1 *(1) | 190,476                   | 986,837       |
|  |                       | Common Stock Warrants *(1)        | 400,000                   | 258,760       |
|  |                       |                                   |                           | 1,968,530     |
| UCT COATINGS<br>(0.0%)                                 | Advanced<br>Materials | Common Stock *(1)                 | 1,500,000                 | 0             |
|  |                       | Common Stock Warrants *(1)        | 136,986                   | 0             |
|  |                       | Common Stock Warrants *(1)        | 2,283                     | 0             |
|  |                       | Common Stock Warrants *(1)        | 33,001                    | 0             |
|  |                       |                                   |                           | 0             |
| YELP, INC. (3.3%)                                      | Social<br>Networking  | Common Stock *(1)                 | 125,000                   | 2,857,062     |
| TOTAL<br>INVESTMENTS<br>(COST \$43,905,578) —<br>44.8% |                       |                                   |                           | 38,488,526    |
| OTHER ASSETS IN<br>EXCESS OF<br>LIABILITIES — 55.2%    |                       |                                   |                           | 47,375,221    |
| NET ASSETS —<br>100.0%                                 |                       |                                   |                           | \$ 85,863,747 |

\* Non-income producing security.

(1) Restricted security. Fair Value is determined by or under the direction of the Company's Board of Directors (See note 3).

(2) Affiliated issuer.

See accompanying notes to financial statements

Firsthand Technology Value Fund, Inc.



Firsthand Technology Value Fund, Inc. (the “Company”)  
Notes to Financial Statements  
MARCH 31, 2012 (UNAUDITED)

NOTES TO FINANCIAL STATEMENTS (Unaudited)

NOTE 1. THE COMPANY

Firsthand Technology Value Fund, Inc. (the “Company,” “us,” “our,” and “we”), is a Maryland corporation and an externally managed, non-diversified, closed-end management investment company that has elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company acquired most of its existing portfolio securities through the reorganization of Firsthand Technology Value Fund, a series of Firsthand Funds, into the Company. The reorganization was completed on April 15, 2011. The Company commenced operations on April 18th, 2011. Under normal circumstances, the Company will invest at least 80% of its assets for investment purposes in technology companies, which are considered to be those companies that derive at least 50% of their revenues from products and/or services within the information technology sector or the so-called “cleantech” sector. Information technology companies include, but are not limited to, those focused on computer hardware, software, telecommunications, networking, Internet, and consumer electronics. While there is no standard definition of cleantech, it is generally regarded as including goods and services designed to harness renewable energy and materials, eliminate emissions and waste, and reduce the use of natural resources. In addition, under normal circumstances we will invest at least 70% of our assets in private venture capital companies and in public companies with market capitalizations less than \$250 million. We anticipate that our portfolio will be primarily composed of equity and equity derivative securities of technology and cleantech companies (as defined above), both private venture capital-stage companies as well as publicly-traded companies. We expect that these investments will normally range between \$1 million and \$10 million each, although this investment size will vary proportionately with the size of the Company’s capital base. During the first year of the Company’s operation, however, the Company’s assets may be substantially invested in cash or cash equivalents. The Company’s shares are listed on the NASDAQ Global Market under the symbol “SVVC.”

NOTE 2. INTERIM FINANCIAL STATEMENTS

Our interim financial statements have been prepared in accordance with Article 10 of Regulation S-X and in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to interim financial information. Accordingly, they do not include all information and disclosures necessary for a fair presentation of our financial position, results of operations and cash flows in conformity with GAAP. In the opinion of management, these interim financial statements reflect all adjustments, consisting of valuation adjustments and normal recurring accruals, necessary for a fair presentation of our financial position, results of operations and cash flows for such periods. The results of operations for any interim period are not necessarily indicative of the results for the full year. The Company filed its first Annual Report on Form 10-K for the period April 18, 2011, through December 31, 2011, on March 28, 2012. These quarterly financial statements should be read in conjunction with the financial statements and notes thereto contained in our Annual Report on Form 10-K for the period ended December 31, 2011.

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### NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the Company's financial statements included in this report:

**USE OF ESTIMATES.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**PORTFOLIO INVESTMENT VALUATIONS.** Investments are stated at "value" as defined in the 1940 Act and in the applicable regulations of the Securities and Exchange Commission and in accordance with GAAP. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market value of those securities for which a market quotation is readily available and (ii) the fair value as determined in good faith by, or under the direction of, the board of directors for all other securities and assets. On March 31, 2012, our financial statements include venture capital investments valued at \$30,997,638. The fair values of our venture capital investments were determined in good faith by, or under the direction of, the Board. Upon sale of these investments, the values that are ultimately realized may be different from what is presently estimated. The difference could be material.

**CASH AND CASH EQUIVALENTS.** The Company considers liquid assets deposited with a bank, investments in money market funds, and certain short-term debt instruments with maturities of three months or less to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay our expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates market value.

**RESTRICTED FUNDS.** On March 31, 2012, we held \$33,854,700 in "Restricted securities."

**MILESTONE AND CONTINGENT PAYMENTS FROM SALE OF INVESTMENT.** As indicated in Note 1, the Company acquired most of its existing portfolio through the reorganization of Firsthand Technology Value Fund, a series of Firsthand Funds, into the Company, which occurred on April 15, 2011. The assets transferred in the reorganization include a contingent receivable originating from the sale of Solaicx to MEMC for an initial cash payment plus possible future cash payments if certain milestone and contingent criteria are met. This milestone payment (as of March 31, 2012 valued at \$27,738) is valued based on an estimate. There can be no assurances as to how much of this amount we will ultimately realize or when it will be realized, if at all.

**INCOME RECOGNITION.** Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Discounts and premiums on securities purchased are amortized over the lives of the respective securities. Other non-cash dividends are recognized as investment income at the fair value of the property received. When debt securities are determined to be non-income producing, the Company ceases accruing interest and writes off any previously accrued interest. These write-offs are recorded as a debit to interest income. During the quarter ended March 31, 2012, the Company earned \$2,966 in interest on interest-bearing accounts. During the quarter ended March 31, 2012, the Company recorded \$136,606 of bridge note interest.

Firsthand Technology Value Fund, Inc.

**SHARE VALUATION.** The net asset value (“NAV”) per share of the Company is calculated by dividing the sum of the value of the securities held by the Company, plus cash or other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding of the Company, rounded to the nearest cent.

**REALIZED GAIN OR LOSS AND UNREALIZED APPRECIATION OR DEPRECIATION OF PORTFOLIO INVESTMENTS.** A realized gain or loss is recognized when an investment is disposed of and is computed as the difference between the Company’s cost basis in the investment at the disposition date and the net proceeds received from such disposition. Unrealized appreciation or depreciation is computed as the difference between the fair value of the investment and the cost basis of such investment.

**INCOME TAXES.** As we intend to qualify as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), the Company does not provide for income taxes. The Company recognizes interest and penalties in income tax expense.

**FOREIGN CURRENCY TRANSLATION.** The accounting records of the Company are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against U.S. dollars on the date of valuation.

**SECURITIES TRANSACTIONS.** Securities transactions are accounted for on the date the transaction for the purchase or sale of the securities is entered into by the Company (i.e., trade date).

**CONCENTRATION OF CREDIT RISK.** The Company places its cash and cash equivalents with financial institutions and, at times, cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit.

**OPTIONS.** The Company is subject to equity price risk in the normal course of pursuing its investment objectives and may enter into options written to hedge against changes in the value of equities. The Company may purchase put and call options to attempt to provide protection against adverse price effects from anticipated changes in prevailing prices of securities or stock indices. The Company may also write put and call options. When the Company writes an option, an amount equal to the premium received by the Company is recorded as a liability and is subsequently adjusted to the current fair value of the option written.

Premiums received from writing options that expire unexercised are treated by the Company on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Company has realized a gain or loss. The Company as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

The market value of the Company’s purchased options as of March 31, 2012 can be found on the Schedule of Investments. The net realized gains/(loss) from purchased and written options and the net change in unrealized appreciation (depreciation) on purchased and written options for the year ended March 31, 2012 can be found on the Statement of Operations.

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#### NOTE 4. BUSINESS RISKS AND UNCERTAINTIES

We plan to invest a substantial portion of our assets in privately-held companies, the securities of which are inherently illiquid. We also seek to invest in small publicly-traded companies that we believe have exceptional growth potential and to make opportunistic investments in publicly-traded companies, both large and small. In the case of investments in small publicly-traded companies, although these companies are publicly traded, their stock may not trade at high volumes, and prices can be volatile, which may restrict our ability to sell our positions. These privately held and publicly traded businesses tend to lack management depth, have limited or no history of operations and typically have not attained profitability. Because of the speculative nature of our investments and the lack of public markets for privately held investments, there is greater risk of loss than is the case with traditional investment securities.

We do not choose investments based on a strategy of diversification. We also do not rebalance the portfolio should one of our portfolio companies increase in value substantially relative to the rest of the portfolio. Therefore, the value of our portfolio may be more vulnerable to events affecting a single sector, industry or portfolio company and, therefore, may be subject to greater volatility than a company that follows a diversification strategy.

Because there is typically no public or readily-ascertainable market for our interests in the small privately-held companies in which we invest, the valuation of those securities is determined in good faith by the Valuation Committee, comprised of all members of the Board who are not “interested persons” of the Company, as such term is defined in Section 2(a)(19) of the 1940 Act, in accordance with our Valuation Procedures and is subject to significant estimates and judgments. The determined value of the securities in our portfolio may differ significantly from the values that would be placed on these securities if a ready market for the securities existed. Any changes in valuation are recorded in our Statement of Operations as “Net increase (decrease) in unrealized appreciation on investments.” Changes in valuation of any of our investments in privately-held companies from one period to another may be volatile.

The Board may, from time to time, engage an independent valuation firm to provide it with valuation assistance with respect to certain of our portfolio investments. The Company intends to continue to engage an independent valuation firm to provide us with assistance regarding our determination of the fair value of select portfolio investments each quarter unless directed by the Board to cancel such valuation services. The scope of the services rendered by an independent valuation firm is at the discretion of the Board. The Board is ultimately and solely responsible for determining the fair value of the Company’s investments in good faith.

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, the Board has approved a multi-step valuation process to be followed each quarter, as described below:

- (1) each quarter the valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and discussed with the Valuation Committee;
- (3) the Valuation Committee of the Board on a quarterly basis reviews the preliminary valuation of the Adviser Valuation Committee and that of the independent valuation firm and makes the fair value determination, in good faith, based on the valuation recommendations of the Adviser Valuation Committee and the independent valuation firm; and

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(4) at each quarterly Board meeting, the Board considers the valuations recommended by the Adviser Valuation Committee and the independent valuation firm that were previously submitted to the Valuation Committee of the Board and ratifies the fair value determinations made by the Valuation Committee of the Board.

#### NOTE 5. INVESTMENT MANAGEMENT FEE

The Company has entered into an investment management agreement (the “Investment Management Agreement”) with SiVest Group, Inc. (“SiVest,” or the “Adviser”), pursuant to which the Company will pay SiVest a fee for providing investment management services consisting of two components—a base management fee and an incentive fee. Effective January 1, 2012, SiVest changed its name to Firsthand Capital Management, Inc.

The base management fee will be calculated at an annual rate of 2.00% of our gross assets. For services rendered under the Investment Management Agreement, the base management fee will be payable quarterly in arrears. The base management fee will be calculated based on the average of (1) the value of our gross assets at the end of the current calendar quarter and (2) the value of our gross assets at the end of the preceding calendar quarter; and will be appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base management fees for any partial month or quarter will be pro-rated.

The incentive fee will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date), commencing on April 15, 2011, and will equal 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid incentive fees.

#### NOTE 6. DEBT

The Company currently has no plan to use leverage and does not have any significant outstanding debt obligations (other than normal operating expense accruals).

#### NOTE 7. FAIR VALUE

Securities traded on stock exchanges, or quoted by NASDAQ, are valued according to the NASDAQ Stock Market, Inc. (“NASDAQ”) official closing price, if applicable, or at their last reported sale price as of the close of trading on the New York Stock Exchange (“NYSE”) (normally 4:00 P.M. Eastern Time). If a security is not traded that day, the security will be valued at its most recent bid price.

Securities traded in the over-the-counter market, but not quoted by NASDAQ, are valued at the last sale price (or, if the last sale price is not readily available, at the most recent closing bid price as quoted by brokers that make markets in the securities) at the close of trading on the NYSE.

Securities traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and most representative market.

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Securities and other assets that do not have market quotations readily available are valued at their fair value as determined in good faith by the Board of Directors of the Company (the "Board") in accordance with the Valuation Procedures adopted by the Valuation Committee, a committee of the Board.

In pricing illiquid, privately placed securities, the Board of Directors is responsible for (1) determining overall valuation guidelines and (2) ensuring that the investments of the Company are valued within the prescribed guidelines.

The Valuation Committee, comprised of all of the independent Board members, is responsible for determining the valuation of the Company's assets within the guidelines established by the Board of Directors. The Valuation Committee receives information and recommendations from the Adviser and an independent valuation firm.

The values assigned to these investments are based on available information and do not necessarily represent amounts that might ultimately be realized when that investment is sold, as such amounts depend on future circumstances and cannot reasonably be determined until the individual investments are actually liquidated or become readily marketable.

**APPROACHES TO DETERMINING FAIR VALUE.** GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In effect, GAAP applies fair value terminology to all valuations whereas the 1940 Act applies market value terminology to readily marketable assets and fair value terminology to other assets.

The main approaches to measuring fair value utilized are the market approach, the income approach, and the asset-based approach. The choice of which approach to use in a particular situation depends on the specific facts and circumstances associated with the company, as well as the purpose for which the valuation analysis is being conducted. SiVest and the independent valuation firm rely primarily on the market and income approaches. We also considered the asset-based approach in our analysis because certain of the portfolio companies do not have substantial operating earnings relative to the value of their underlying assets.

-Market Approach (M): The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. For example, the market approach often uses market multiples derived from a set of comparables. Multiples might lie in ranges with a different multiple for each comparable. The selection of where within the range each appropriate multiple falls requires the use of judgment in considering factors specific to the measurement (qualitative and quantitative).

-Income Approach (I): The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present value amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques include present value techniques; option-pricing models, such as the Black-Scholes-Merton formula (a closed-form model) and a binomial model (a lattice model), which incorporate present value techniques; and the multi-period excess earnings method, which is used to measure the fair value of certain assets.

-Asset-Based Approach (A): The asset-based approach examines the value of a company's assets net of its liabilities to derive a value for the equity holders.

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**FAIR VALUE MEASUREMENT.** In accordance with the guidance from the Financial Accounting Standards Board on fair value measurements and disclosures under GAAP, the Company discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements).

The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the date of measurement.

Level 2 Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments in an active or inactive market, interest rates, prepayment speeds, credit risks, yield curves, default rates, and similar data.

Level 3 Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Company's own assumptions about the assumptions a market participant would use in valuing the asset or liability based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Company's net assets as of March 31, 2012:

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|                         | LEVEL 1<br>QUOTED<br>PRICES | LEVEL 2<br>OTHER<br>SIGNIFICANT<br>OBSERVABLE<br>INPUTS | LEVEL 3<br>SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS |
|-------------------------|-----------------------------|---|--|
| Common Stocks           |                             |   |  |
| Other Electronics       | \$4,633,826                 | \$ —  | \$ —   |
| Renewable Energy        | —                           | —   | 1,980,000  |
| Social Networking       | —                           | —   | 25,775,023                                       |
| Total Common Stocks     | 4,633,826                   | —   | 27,755,023                                       |
| Preferred Stocks        |                             |   |  |
| Intellectual Property   | \$—                         | \$ —  | \$ 65,393  |
| Networking              | —                           | —   | 298  |
| Renewable Energy        | —                           | —   | 2,483,897  |
| Services                | —                           | —   | 146,629  |
| Total Preferred Stocks  | —                           | —   | 2,696,217  |
| Asset Derivatives *     |                             |   |  |
| Equity Contracts        | \$—                         | \$ —  | \$ 258,760                                       |
| Total Asset Derivatives | —                           | —   | 258,760  |
| Convertible Notes       |                             |   |  |
| Intellectual Property   | \$—                         | \$ —  | \$ 3,144,700                                     |
| Total                   | \$4,633,826                 | \$ —  | \$ 33,854,700                                    |

\* Asset derivatives include warrants.

At the end of each calendar quarter, management evaluates the Level 2 and Level 3 assets and liabilities for changes in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, management evaluates the Level 1 and Level 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges. Transfers in and out of the levels are recognized at the value at the end of the period. There were no significant transfers between Levels 1 and 2 during the period since commencement of operations and ended March 31, 2012.

Following is a reconciliation of Level 3 assets (at either the beginning or the ending of the period) for which significant unobservable inputs were used to determine fair value.

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| INVESTMENTS AT<br>FAIR VALUE USING<br>SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS (LEVEL 3) | BALANCE           |                     | NET<br>REALIZED      | NET<br>UNREALIZED              | TRANSFERS                 | BALANCE          |
|---|-------------------|---------------------|----------------------|--------------------------------|---------------------------|------------------|
|   | AS OF<br>12/31/11 | NET<br>PURCHASES(1) | GAINS<br>(LOSSES)(2) | APPRECIATION<br>(DEPRECIATION) | IN (OUT)<br>OF<br>LEVEL 3 | AS OF<br>3/31/12 |
| Common Stocks   |                   |                     |                      |                                |                           |                  |
| Intellectual Property   | \$180             | \$ —                | \$ —                 | \$ (180                        | ) \$ —                    | \$ —             |
| Renewable Energy  | —                 | 1,980,000           | —                    | —                              | —                         | 1,980,000        |
| Social Networking   | 4,475,000         | 17,340,000          | —                    | 3,960,023                      | —                         | 25,775,023       |
| Preferred Stocks  |                   |                     |                      |                                |                           |                  |
| Intellectual Property   | 793,487           | —                   | —                    | (728,094                       | ) —                       | 65,393           |
| Networking  | 298               | —                   | —                    | —                              | —                         | 298              |
| Renewable Energy  | 3,445,335         | —                   | —                    | (961,438                       | ) —                       | 2,483,897        |
| Services  | 173,396           | —                   | —                    | (26,767                        | ) —                       | 146,629          |
| Asset Derivatives   |                   |                     |                      |                                |                           |                  |
| Equity Contracts  | 517,204           | —                   | —                    | (258,444                       | ) —                       | 258,760          |
| Convertible Bonds   |                   |                     |                      |                                |                           |                  |
| Intellectual Property   | 2,043,450         | 1,000,000           | —                    | 101,250                        | —                         | 3,144,700        |
| Total   | \$11,448,350      | \$ 20,320,000       | \$ —                 | \$ 2,086,350                   | \$ —                      | \$33,854,700     |

(1) There were no sales for the three months ended 3/31/12.

(2) The net change in unrealized appreciation from Level 3 instruments held as of March 31, 2012 was \$2,086,350.

The below chart represents quantitative disclosure about significant unobservable inputs for Level 3 fair value measurements:

|   | FAIR VALUE<br>AT<br>3/31/12 | VALUATION<br>TECHNIQUES           | UNOBSERVABLE<br>INPUTS   | RANGE<br>(WEIGHTED<br>AVG.)                    |
|---|-----------------------------|-----------------------------------|--|--|
| Direct venture capital<br>investments: Services                 | \$0.1M                      | Market<br>Comparable<br>Companies | EBITDA Multiple<br>Discount for Lack of<br>Marketability                     | 3.5x - 4.5x<br>15.0% - 20.0%                   |
| Direct venture capital<br>investments: Social<br>Networking     | \$25.8M                     | Market<br>Comparable<br>Companies | Revenue Multiple<br>EBITDA Multiple<br>Discount for Lack of<br>Marketability | 21.0x - 23.0x<br>36.0x - 39.0x<br>5.0% - 15.0% |
| Direct venture capital<br>investments: Intellectual<br>Property | \$3.2M                      | Market<br>Comparable<br>Companies | Revenue Multiple<br>Discount for Lack of<br>Marketability                    | 0.30x - 0.60x<br>0.0% - 5.0%                   |



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|  |        |                            |                                    |                 |
|--|--------|----------------------------|------------------------------------|-----------------|
| Direct venture capital investments: Renewable Energy | \$2.7M | Prior Transaction Analysis | Volatility Risk-Free Rate          | 75.0% - 90.0%   |
|  |        |                            | Discount for Lack of Marketability | 0.110% - 0.420% |
|  |        |                            |                                    | 0.0% - 5.0%     |

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## NOTE 8. FEDERAL INCOME TAXES

The Company has elected, and intends to qualify annually, for the special tax treatment afforded regulated investment companies under the Internal Revenue Code of 1986, as amended (the "Code"). As provided in the Code, in any fiscal year in which a BDC so qualifies and distributes at least 90% of its taxable net income, the BDC (but not the shareholders) will be relieved of federal income tax on the income distributed. Accordingly, no provision for income taxes has been made. To avoid imposition of the excise tax applicable to regulated investment companies, the Company intends to declare as dividends in each calendar year at least 98% of its net investment income (earned during the calendar year) and 98% of its net realized capital gains (earned during the 12 months ended October 31) plus undistributed amounts, if any, from prior years.

## NOTE 9. INVESTMENTS IN AFFILIATES

Under the 1940 Act, issuers 5% or more of whose outstanding voting securities are owned, controlled, or held with power to veto by the Company are affiliates of the Company. A summary of the Company's investments in affiliates for the period since December 31, 2011, and ended March 31, 2012, is noted below:

| AFFILIATE                               | SHARES/PAR ACTIVITY       |                       |                                  | BALANCE<br>AT<br>3/31/12 | REALIZED       |                        | VALUE<br>3/31/12 | ACQUISITION<br>COST |
|---|---------------------------|-----------------------|----------------------------------|--------------------------|----------------|------------------------|------------------|---------------------|
|   | BALANCE<br>AT<br>12/31/11 | PURCHASES/<br>MERGERS | SALES<br>MATURITY/<br>EXPIRATION |                          | GAIN<br>(LOSS) | DIVIDENDS/<br>INTEREST |                  |                     |
| Silicon Genesis Corp., Common           | 901,892                   | —                     | —                                | 901,892                  | \$ —           | \$ —                   | \$ —             | \$ 169,045          |
| Silicon Genesis Corp., Convertible Note | 1,250,000                 | —                     | —                                | 1,250,000                | —              | 79,791                 | 1,403,250        | 1,610,753           |
| Silicon Genesis Corp., Convertible Note | 500,000                   | —                     | —                                | 500,000                  | —              | 26,408                 | 583,750          | 500,000             |
| Silicon Genesis Corp., Convertible Note | —                         | 1,000,000             | —                                | 1,000,000                | —              | 30,407                 | 1,157,700        | 1,000,000           |
| Silicon Genesis Corp., Common Warrant   | 37,982                    | —                     | —                                | 37,982                   | —              | —                      | —                | 6,678               |
| Silicon Genesis Corp., Common Warrant   | 5,000,000                 | —                     | —                                | 5,000,000                | —              | —                      | —                | —                   |
| Silicon Genesis Corp., Common Warrant   | —                         | 3,000,000             | —                                | 3,000,000                | —              | —                      | —                | —                   |
|   | 82,914                    | —                     | —                                | 82,914                   | —              | —                      | —                | 109,518             |

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|   |           |   |   |           |   |   |              |              |
|---|-----------|---|---|-----------|---|---|--------------|--------------|
| Silicon Genesis Corp., Series 1-C         |           |   |   |           |   |   |              |              |
| Silicon Genesis Corp., Series 1-D         | 850,830   | — | — | 850,830   | — | — | —            | 431,901      |
| Silicon Genesis Corp., Series 1-E         | 5,704,480 | — | — | 5,704,480 | — | — | 53,622       | 2,946,535    |
| Silicon Genesis Corp., Series 1-E Warrant | 94,339    | — | — | 94,339    | — | — | —            | 13,012       |
| Silicon Genesis Corp., Series 1-E Warrant | 1,257,859 | — | — | 1,257,859 | — | — | —            | 173,500      |
| Silicon Genesis Corp., Series 1-F         | 912,453   | — | — | 912,453   | — | — | 11,771       | 583,060      |
|   |           |   |   |           |   |   | \$ 3,210,093 | \$ 7,544,002 |

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As of March 31, 2012, Kevin Landis represents the Company and sits on the board of directors of Silicon Genesis Corporation. Serving on boards of directors of portfolio companies may cause conflicts of interest. The Adviser has adopted various procedures to ensure that the Company will not be unfavorably affected by these potential conflicts.

#### NOTE 10. SUBSEQUENT EVENTS

We issued 4,400,000 shares of our common stock on April 19, 2012 at an offering price of \$27.00 per share. The gross proceeds raised were \$118,800,000. The net proceeds received were \$111,078,000. The underwriting fees were \$7,722,000. The offering expenses are estimated to be approximately \$210,000, which includes \$55,000 of offering expenses that were accrued as of March 31, 2012.

The underwriters exercised their over-allotment option on May 11, 2012, purchasing an additional 660,000 shares of common stock at an offering price of \$27.00 per share. The gross proceeds of the transaction were \$17,820,000. The net proceeds, after deducting underwriting discounts and commissions of \$1,158,300, were \$16,661,700.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

##### FORWARD-LOOKING STATEMENTS

The matters discussed in this report, as well as in future oral and written statements by management of Firsthand Technology Value Fund, Inc., that are forward-looking statements based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements related to future events or our future financial performance. We generally identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "potential," or "continue" or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this report should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this report include statements as to:

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- the impact of a protracted decline in the liquidity of the credit markets on our business;
- our informal relationships with third parties;
- the expected market for venture capital investments and our addressable market;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to access the equity market;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax status;
- our ability to operate as a business development company and a regulated investment company;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operation of our portfolio companies;



- the timing, form, and amount of any dividend distributions;
- impact of fluctuation of interest rates on our business;
- valuation of any investments in portfolio companies particularly those having no liquid trading market; and
- our ability to recover unrealized losses.

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this report, please see the discussion under Item 1A – “Risk Factors” or Part II of this quarterly report on Form 10-Q. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this report.

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this report.

## OVERVIEW

We are an externally managed, closed-end, non-diversified management investment company organized as a Maryland corporation that has elected to be treated as a business development company under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in “qualifying assets,” including securities of private or micro-cap public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for tax purposes we intend to elect to be treated as a RIC under Subchapter M of the Code and to qualify annually thereafter.

Our investment objective is to seek long-term growth of capital. There can be no assurance that we will achieve our investment objective. Under normal circumstances, we will invest at least 80% of our total assets for investment purposes in technology companies. We consider technology companies to be those companies that derive at least 50% of their revenues from products and/or services within the information technology sector and in the “cleantech” sector. Information technology companies include, but are not limited to, those focused on computer hardware, software, social networking, telecommunications, networking, Internet, and consumer electronics. While there is no standard definition of cleantech, it is generally regarded as including goods and services designed to harness renewable energy and materials, eliminate emissions and waste, and reduce the use of natural resources. In addition, under normal circumstances we will invest at least 70% of our assets in privately held companies and public companies with market capitalizations less than \$250 million. We anticipate that our portfolio will be primarily composed of equity and equity derivative securities of technology and cleantech companies (as defined above). We expect that these investments will range between \$1 million and \$10 million each, although this investment size will vary proportionately with the size of our capital base.

While our primary focus is to invest in illiquid private technology and cleantech companies, we may also invest in micro-cap publicly traded companies. In addition, we may invest up to 30% of the portfolio in opportunistic investments that do not constitute the private companies and small public companies described above. These other investments may include investments in securities of public companies that are actively traded. These other investments may also include investments in high-yield bonds, distressed debt or securities of public companies that are actively traded, and securities of companies located outside of the United States.

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## RESULTS OF OPERATIONS

We commenced operations in April 2011, so there is no comparable period with which to compare results for the period from January 1, 2012 through March 31, 2012. The following information is for the three-month period ended March 31, 2012.

### INVESTMENT INCOME

Interest income totaled \$139,572 for the quarter ended March 31, 2012. The interest income is primarily attributable to interest accrued on a convertible note investments with Silicon Genesis Corporation.

### OPERATING EXPENSES

Operating expenses totaled approximately \$576,828 during the quarter ended March 31, 2012.

Significant components of operating expenses for the quarter ended March 31, 2012 were management fee expense of \$424,994 and professional fees (audit, legal, accounting, and consulting) of \$104,378.

### NET INVESTMENT INCOME BEFORE INVESTMENT GAINS AND LOSSES

The net investment loss was \$437,256 for the quarter ended March 31, 2012.

### NET INVESTMENT REALIZED GAINS AND LOSSES AND UNREALIZED APPRECIATION AND DEPRECIATION

Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized, and includes investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation primarily reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

During the quarter ended March 31, 2012, there were no recognized net realized gains/(losses) from the sale of securities.

During the quarter ended March 31, 2012, net unrealized depreciation on total investments and other assets decreased by \$2,673,528. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. This change in net unrealized depreciation was primarily comprised of an increase in the fair value of our portfolio companies, notably Facebook. A summary of the net realized and unrealized loss on investments for the three-month period ended March 31, 2012 is shown below.

|  | THREE MONTHS ENDED MARCH 31, 2012 |
|--|-----------------------------------|
| Realized losses                                      | \$—                               |
| Net change in unrealized depreciation on investments | 2,673,528                         |
| Net realized and unrealized loss on investments      | 2,673,528                         |

The following table itemizes the change in net unrealized depreciation of investments as of March 31, 2012:

|  |              |
|--|--------------|
| Gross unrealized appreciation on portfolio investments | \$4,335,179  |
| Gross unrealized depreciation on portfolio investments | (9,764,724 ) |
| Net unrealized depreciation on portfolio investments   | (5,429,545 ) |





#### INCOME AND EXCISE TAXES

As we intend to qualify as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), the Company does not provide for income taxes. The Company recognizes interest and penalties in income tax expense.

#### NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS AND CHANGE IN NET ASSETS PER SHARE

For the quarter ended March 31, 2012, the net increase in net assets resulting from operations totaled \$2,236,272. Basic and fully-diluted net change in net assets per share for the quarter ended March 31, 2012 was \$0.64.

#### FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

At March 31, 2012, we had investments in public and private securities totaling approximately \$38.5 million. Also, at March 31, 2012, we had approximately \$45.2 million in cash and cash equivalents. We primarily invest cash on hand in a money market treasury portfolio. We expect the portion of our portfolio consisting of cash and cash equivalents to decrease as we become fully invested.

As of March 31, 2012, net assets totaled approximately \$85.9 million, with a net asset value per share of \$24.56. Our primary use of funds will be investments in portfolio companies and payments of fees and other operating expenses we incur. Additionally, we expect to raise additional capital to support our future growth through future equity offerings. To the extent we determine to raise additional equity through an offering of our common stock at a price below net asset value, existing investors will experience dilution.

#### PORTFOLIO INVESTMENTS

##### PRIVATE INVESTMENTS

We make investments in securities of both public and private companies. During the quarter ended March 31, 2012, we had investments in the following private companies:

##### Facebook

Facebook, Inc. (“Facebook”) is an online social networking service with 845 million active users worldwide. Facebook also develops technologies to facilitate information sharing and the digital mapping of social connections.

At March 31, 2012, our investment in Facebook consisted of 600,000 shares of common stock with a combined fair value of \$22,917,961.

##### INNOViON Corporation

INNOViON Corporation (“Innovion”), San Jose, California, provides foundry ion implant services to the microelectronics industry.

At March 31, 2012, our investments in INNOViON consisted of 324,948 shares of Series A-1 preferred stock, 168,804 shares of Series A-2 preferred stock, and one share of common stock, with a combined fair value of \$146,629.

Firsthand Technology Value Fund, Inc.

Movius Corporation

Movius Corporation (“Movius”), Atlanta, Georgia, provides unified communications solutions for telecommunications carriers worldwide. Its applications include converged messaging, unified conferencing, and virtual telephony.

At March 31, 2012, our investment in Movius consisted of multiple investments in IP Unity, Inc., a predecessor entity. At March 31, 2012, our investments in IP Unity consisted of 1,932,222 shares of Series C preferred stock, and 193,042 shares of Series E preferred stock, with a combined fair value of \$298.

Silicon Genesis Corporation

Silicon Genesis Corporation (“SiGen”), San Jose, CA, provides engineered substrate process technology for the semiconductor, display, optoelectronics, and solar markets.

At March 31, 2012, our investments in SiGen consisted of 82,914 shares of Series 1-C preferred stock, 850,830 shares of Series 1-D preferred stock, 5,704,480 shares of Series 1-E preferred stock, 912,453 shares of Series 1-F preferred stock, 901,892 shares of common stock, warrants for 1,352,198 shares of Series 1-E preferred stock, warrants for 8,037,982 shares of common stock, a \$1.25 million par value convertible note, a \$500,000 par value convertible note, and a \$1.0 million par value note. The notes each bear annual interest at a rate of 20% and mature on December 31, 2012. At March 31, 2012 the combined fair value of our SiGen securities was approximately \$3.2 million.

Skyline Solar, Inc.

Skyline Solar, Inc. (“Skyline Solar”), Mountain View, CA, is a supplier of concentrated solar photovoltaic systems for utility-scale solar electricity generation projects.

At March 31, 2012, our investment in Skyline Solar consisted of 793,651 shares of Series C preferred stock, with a fair value of \$774,127.

SolarCity Corp.

SolarCity Corp. (“SolarCity”), San Mateo, CA, is a leading installer of commercial and residential solar photovoltaic systems.

At March 31, 2012, our investment in SolarCity consisted of 120,000 shares of common stock, with a fair value of approximately \$2.0 million.

SoloPower, Inc.

SoloPower, Inc. (“SoloPower”), San Jose, CA, produces low-cost, high-power, flexible thin-film photovoltaic modules that offer a viable alternative to the electricity produced using traditional fossil fuels.

At March 31, 2012, our investments in SoloPower consisted of 400,000 shares of Series A preferred stock, 100,205 shares of Series B preferred stock, 100,000 shares of Series D preferred stock, 190,476 shares of Series E-1 preferred stock, and warrants to purchase 400,000 shares of common stock, with a combined fair value of approximately \$2.0 million.

UCT Coatings, Inc.

UCT Coatings, Inc. (“UCT”), Stuart, Florida, is a leader in the development of metal coatings that reduce friction and improve efficiency in mechanical systems.

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At March 31, 2012, our investments in UCT consisted of 1,500,000 shares of common stock and warrants to purchase 172,270 shares of common stock, with a combined fair value of \$0.

#### PUBLIC INVESTMENTS

On March 31, 2012, we had investments in the following public securities:

##### Intevac, Inc.

Intevac, Inc. (“Intevac”), Santa Clara, CA, is a leading provider of cost-effective, advanced equipment and products to the hard disk drive, solar, semiconductor, and photonics industries. At March 31, 2012, our investment in Intevac consisted of 545,156 shares of common stock with an aggregate market value of approximately \$4.6 million.

##### Yelp, Inc.

Yelp, Inc. (“Yelp”), San Francisco, CA, operates a social networking website that allows users to search for and post review of local businesses. The company derives revenue principally from local business advertisers.

At March 31, 2012, our investment in Yelp consisted of 125,000 shares of common stock with an aggregate market value of approximately \$2.9 million.

#### SUBSEQUENT INVESTMENTS

Subsequent to the close of the financial quarter on March 31, 2012, we made a number of additional investments.

On April 9, 2012, we acquired 54,127 shares of Gilt Groupe at a cost of approximately \$1.4 million.

On April 18, 2012, we acquired 34,714 shares of Gilt Groupe at a cost of approximately \$0.9 million.

On May 1, 2012, we acquired 100,000 shares of Twitter at a cost of approximately \$1.8 million.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company’s business activities contain elements of risk. We consider the principal types of market risk to be valuation risk and small company investment risk.

##### VALUATION RISK

Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which market quotations are readily available and (ii) fair value as determined in good faith by, or under the direction of, the Board of Directors for all other assets.

Because there is typically no public market for our interests in the small privately-held companies in which we invest, the valuation of the securities in that portion of our portfolio is determined in good faith by our Board of Directors with the assistance of our Valuation Committee, comprised of the independent members of our Board of Directors, in accordance with our Valuation Procedures. In addition, the Board of Directors may use the services of a nationally recognized independent valuation firm to aid it in determining the fair value of some of these securities. In the absence of a readily ascertainable market value, the determined value of our portfolio of securities may

Firsthand Technology Value Fund, Inc.



differ significantly from the values that would be placed on the portfolio if a ready market for such securities existed. Determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment, although our valuation policy is intended to provide a consistent basis for determining fair value of the portfolio investments. The methods for valuing these securities may include: fundamental analysis (sales, income, or earnings multiples, etc.), discounts from market prices of similar securities, purchase price of securities, subsequent private transactions in the security or related securities, or discounts applied to the nature and duration of restrictions on the disposition of the securities, as well as a combination of these and other factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time, and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed.

Furthermore, changes in valuation of any of our investments in privately-held companies from one period to another may be volatile.

Investments in privately held, immature companies are inherently more volatile than investments in more mature businesses. Such immature businesses are inherently fragile and easily affected by both internal and external forces.

Our portfolio companies can lose much or all of their value suddenly in response to an internal or external adverse event. Conversely, these immature businesses can gain suddenly in value in response to an internal or external positive development.

The values assigned to our assets are based on available information and do not necessarily represent amounts that might ultimately be realized, as these amounts depend on future circumstances and cannot be reasonably determined until the individual investments are actually liquidated or become readily marketable. Upon sale of investments, the values that are ultimately realized may be different from what is presently estimated. This difference could be material.

#### PRIVATELY PLACED SMALL COMPANIES RISK

The Company invests in small companies, and its investments in these companies are considered speculative in nature. The Company's investments often include securities that are subject to legal or contractual restrictions on resale that adversely affect the liquidity and marketability of such securities. As a result, the Company is subject to risk of loss which may prevent our shareholders from achieving price appreciation, dividend distributions and return of capital.

#### CASH INVESTMENTS RISK

The Company commenced operations in April 2011. Therefore, as of March 31, 2012, a large portion of the Company's assets (approximately 53%) are invested in cash and/or cash equivalents, which are expected to earn low yields. Given the current low interest rate environment, to the extent management fee expenses exceed interest income on the cash holdings of the Company, the Company may experience losses.

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ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2012, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Firsthand Technology Value Fund, Inc.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are not a party to any material pending legal proceeding, and no such proceedings are known to be contemplated.

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in the "Risk Factors" section of our current Registration Statement on Form N-2, as amended and supplemented, which could materially affect our business, financial condition, and/or operating results. As of March 31, 2012, there have not been any material changes from the risk factors previously disclosed in the "Risk Factors" section of our current Registration Statement on Form N-2. The risks described in our Registration Statement on Form N-2 are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. (REMOVED AND RESERVED).

ITEM 5. OTHER INFORMATION.

None.

ITEM 6 EXHIBITS.

EXHIBIT NUMBER DESCRIPTION

|      |  |
|------|--|
| 31.1 | Chief Executive Officer Certification and Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Chief Executive Officer and Chief Financial Certification Officer Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002         |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRSTHAND TECHNOLOGY VALUE FUND, INC.

Dated: May 15, 2012

By: /s/ Kevin Landis  
Kevin Landis  
Chief Executive Officer and Chief Financial Officer  
(On behalf of the registrant and as the principal financial officer)

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